

PERAC AUDIT REPORT



Pittsfield Contributory Retirement System

JAN. 1, 2005 - DEC. 31, 2007



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

December 16, 2008

The Public Employee Retirement Administration Commission has completed an examination of the Pittsfield Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Pittsfield Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Robert Madison who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2007	2006	2005
Net Assets Available For Benefits:			
Cash	\$7,259,129	\$2,845,675	\$4,538,797
Equities	10,031,171	9,609,085	8,502,458
Pooled Domestic Equity Funds	35,846,085	40,791,314	36,390,784
Pooled International Equity Funds	13,148,493	12,411,747	9,644,359
Pooled Domestic Fixed Income Funds	19,790,772	21,734,169	22,447,570
Pooled Alternative Investment Funds	8,304,518	684,740	0
Pooled Real Estate Funds	5,067,794	5,946,236	5,357,203
Interest Due and Accrued	2,766	2,556	1,014
Accounts Receivable	38,711	417,896	83,721
Accounts Payable	(188,974)	(99,082)	(15,329)
Total	<u>\$99,300,464</u>	<u>\$94,344,338</u>	<u>\$86,950,577</u>
Fund Balances:			
Annuity Savings Fund	\$27,060,566	\$26,642,338	\$25,682,718
Annuity Reserve Fund	11,814,220	11,067,716	11,162,938
Military Service Fund	6,484	6,445	6,407
Pension Reserve Fund	60,419,194	56,627,839	50,098,514
Total	<u>\$99,300,464</u>	<u>\$94,344,338</u>	<u>\$86,950,577</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Begining Balance (2005)	\$24,510,948	\$10,974,256	\$0	\$6,368	\$0	\$47,200,639	\$82,692,212
Receipts	2,765,853	326,804	7,937,504	38	502,210	4,742,347	16,274,756
Interfund Transfers	(1,207,699)	1,207,776	2,406,927	0	0	(2,407,004)	0
Disbursements	(386,385)	(1,345,897)	(9,781,898)	0	(502,210)	0	(12,016,391)
Ending Balance (2005)	25,682,718	11,162,938	0	6,407	0	50,098,514	86,950,577
Receipts	2,708,913	331,022	7,760,710	38	625,671	9,234,633	20,660,987
Interfund Transfers	(959,269)	956,964	2,707,613	0	0	(2,705,309)	0
Disbursements	(790,024)	(1,383,209)	(10,468,323)	0	(625,671)	0	(13,267,227)
Ending Balance (2006)	26,642,338	11,067,716	0	6,445	0	56,627,839	94,344,338
Receipts	2,986,510	340,484	8,415,553	39	635,084	6,047,737	18,425,406
Interfund Transfers	(1,785,272)	1,788,094	2,253,558	0	0	(2,256,381)	0
Disbursements	(783,011)	(1,382,074)	(10,669,111)	0	(635,084)	0	(13,469,279)
Ending Balance (2007)	<u>\$27,060,566</u>	<u>\$11,814,220</u>	<u>\$0</u>	<u>\$6,484</u>	<u>\$0</u>	<u>\$60,419,195</u>	<u>\$99,300,464</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Members Deductions	\$2,551,719	\$2,450,695	\$2,365,178
Transfers from Other Systems	211,822	60,492	168,351
Member Make Up Payments and Re-deposits	71,484	50,327	54,698
Member Payments from Rollovers	0	0	35,460
Investment Income Credited to Member Accounts	<u>151,485</u>	<u>147,399</u>	<u>142,166</u>
Sub Total	<u>2,986,510</u>	<u>2,708,913</u>	<u>2,765,853</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>340,484</u>	<u>331,022</u>	<u>326,804</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	71,684	63,827	59,900
Received from Commonwealth for COLA and Survivor Benefits	643,869	619,211	1,134,467
Pension Fund Appropriation	<u>7,700,000</u>	<u>7,077,672</u>	<u>6,743,137</u>
Sub Total	<u>8,415,553</u>	<u>7,760,710</u>	<u>7,937,504</u>
Military Service Fund:			
Investment Income Credited to the Military Service Fund	<u>39</u>	<u>38</u>	<u>38</u>
Sub Total	<u>39</u>	<u>38</u>	<u>38</u>
Expense Fund:			
Investment Income Credited to the Expense Fund	<u>635,084</u>	<u>625,671</u>	<u>502,210</u>
Sub Total	<u>635,084</u>	<u>625,671</u>	<u>502,210</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	171,818	144,311	139,913
Interest Not Refunded	2,944	6,188	3,467
Excess Investment Income	<u>5,872,975</u>	<u>9,084,134</u>	<u>4,598,967</u>
Sub Total	<u>6,047,737</u>	<u>9,234,633</u>	<u>4,742,347</u>
Total Receipts	<u>\$18,425,406</u>	<u>\$20,660,987</u>	<u>\$16,274,756</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Refunds to Members	\$237,951	\$344,027	\$308,345
Transfers to Other Systems	<u>545,060</u>	<u>445,997</u>	<u>78,040</u>
Sub Total	<u>783,011</u>	<u>790,024</u>	<u>386,385</u>
Annuity Reserve Fund:			
Annuities Paid	1,360,461	1,381,420	1,314,866
Option B Refunds	<u>21,613</u>	<u>1,788</u>	<u>31,031</u>
Sub Total	<u>1,382,074</u>	<u>1,383,209</u>	<u>1,345,897</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	6,382,757	6,022,631	5,760,839
Survivorship Payments	467,107	451,059	457,969
Ordinary Disability Payments	95,856	104,732	101,963
Accidental Disability Payments	2,656,060	2,955,595	2,571,442
Accidental Death Payments	529,206	528,263	489,554
Section 101 Benefits	192,474	185,266	173,884
3 (8) (c) Reimbursements to Other Systems	127,261	125,320	131,660
State Reimbursable COLA's Paid	<u>218,391</u>	<u>95,457</u>	<u>94,588</u>
Sub Total	<u>10,669,111</u>	<u>10,468,323</u>	<u>9,781,898</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	0	0	0
Expense Fund:			
Board Member Stipend	15,000	15,000	15,000
Salaries	76,376	73,816	74,187
Legal Expenses	12,920	22,455	8,090
Travel Expenses	6,222	6,441	5,899
Administrative Expenses	41,912	17,175	22,170
Furniture and Equipment	0	5,530	1,437
Management Fees	360,159	390,180	285,179
Custodial Fees	34,329	31,816	26,155
Consultant Fees	45,000	45,000	45,000
Service Contracts	34,605	10,449	11,234
Fiduciary Insurance	<u>8,561</u>	<u>7,808</u>	<u>7,858</u>
Sub Total	<u>635,084</u>	<u>625,671</u>	<u>502,210</u>
Total Disbursements	<u>\$13,469,279</u>	<u>\$13,267,227</u>	<u>\$12,016,391</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006	2005
Investment Income Received From:			
Cash	\$116,150	\$151,037	\$118,743
Equities	156,223	132,352	72,317
Pooled or Mutual Funds	1,032,032	1,960,632	297,526
Total Investment Income	<u>1,304,405</u>	<u>2,244,021</u>	<u>488,586</u>
Plus:			
Realized Gains	623,688	463,702	166,347
Unrealized Gains	8,872,333	8,360,457	8,852,630
Interest Due and Accrued - Current Year	2,766	2,556	1,014
Sub Total	<u>9,498,786</u>	<u>8,826,714</u>	<u>9,019,990</u>
Less:			
Realized Loss	(597,940)	(144,238)	(82,775)
Unrealized Loss	(3,202,629)	(737,220)	(3,854,770)
Interest Due and Accrued - Prior Year	(2,556)	(1,014)	(846)
Sub Total	<u>(3,803,125)</u>	<u>(882,471)</u>	<u>(3,938,391)</u>
Net Investment Income	<u>7,000,067</u>	<u>10,188,264</u>	<u>5,570,185</u>
Income Required:			
Annuity Savings Fund	151,485	147,399	142,166
Annuity Reserve Fund	340,484	331,022	326,804
Military Service Fund	39	38	38
Expense Fund	635,084	625,671	502,210
Total Income Required	<u>1,127,092</u>	<u>1,104,130</u>	<u>971,218</u>
Net Investment Income	7,000,067	10,188,264	5,570,185
Less: Total Income Required	<u>1,127,092</u>	<u>1,104,130</u>	<u>971,218</u>
Excess Income To The Pension Reserve Fund	<u>\$5,872,975</u>	<u>\$9,084,134</u>	<u>\$4,598,967</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$7,259,129	7.3%
Equities	10,031,171	10.1%
Pooled Domestic Equity Funds	35,846,085	36.0%
Pooled International Equity Funds	13,148,493	13.2%
Pooled Domestic Fixed Income Funds	19,790,772	19.9%
Pooled Alternative Investment Funds	8,304,518	8.4%
Pooled Real Estate Funds	<u>5,067,794</u>	5.1%
Grand Total	<u>\$99,447,962</u>	<u>100.0%</u>

For the year ending December 31, 2007, the rate of return for the investments of the Pittsfield Retirement System was 7.93%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Pittsfield Retirement System averaged 11.21%. For the twenty three-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Pittsfield Retirement System was 9.61%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Pittsfield Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

August 1, 2006

By authority of G.L. c. 32, s. 23(2)(g), PERAC hereby authorizes the Pittsfield Retirement System an exemption from the investment restrictions of G.L. c. 32, s. 23(2)(b)(i-vii), inclusive. This exemption is granted based on the qualifications of investment manager, Standard Life Investments Private Equity for investment in North American Strategic Partners 2006, L.P. [as outlined in memo dated August 1, 2006 from Robert A. Dennis, PERAC Investment Director to Gerard E. Miller, Chairman, Pittsfield Retirement Board.

November 15, 2006

19.01(6) The Pittsfield Retirement Board acknowledges that, as described in the Confidential Private Placement Memorandum of the Partnership and Lion Value Fund, L.P., the Fund is intended to be operated in a manner so as to qualify as an “operating company” (within the meaning of ERISA) or otherwise so that the underlying assets of the Fund are not deemed to be “plan assets” of any ERISA plan investor. Accordingly, neither the General Partner, the Investment Advisor or any of their respective Affiliates is a fiduciary under ERISA with respect to the management and operation of the business and assets of the Fund, and each Limited Partner that is a governmental plan not subject to ERISA is required by the Fund to acknowledge in its Subscription Agreement that neither General Partner, the Investment Advisor nor any of their respective Affiliates is a fiduciary under the laws applicable to such Limited Partner.

October 23, 2003

16.08 In accordance with PERAC Investment Guideline 99-2, the Pittsfield Retirement Board is authorized to make a minor modification to its large cap equity mandate with Freedom Capital Management Company. As part of its rebalancing program, the Board will supplement its current large cap equity separate account and its commingled Equity Style Fund with an allocation to Freedom’s “Style-Weighted Concentrated Fund”. This fund will incorporate the best ideas in both growth and value stocks, has the same S&P 500 benchmark, and is managed by the same team as Freedom’s other large cap products.

September 14, 2001

16.08 In accordance with PERAC Investment Guideline 99-2, the Pittsfield Retirement Board is authorized to modify its large cap value equity mandate with Freedom Capital Management from a separate account to a commingled fund, the Freedom Capital Large Cap Value Fund, which has the same investment objective. The Board is also authorized to make the following modifications to its core bond mandate with Freedom Capital Management: the investment mandate is changing from

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

“core” to “core plus” and the structure is changing from a separate account to a commingled fund, the Freedom Capital Core Plus Fixed Income Fund.

September 13, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Pittsfield Retirement Board may modify its fixed income mandate with Freedom Capital Management. In moving from a “core” to a “core plus” mandate, the manager will opportunistically invest up to 20% of the account’s assets in high-yield securities, with no change in the mandate’s benchmark. The Board has had a long and satisfactory investment relationship with Freedom Capital.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Pittsfield Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$687.96 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Pittsfield Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

June 19, 2004

Upon acceptance, within 180 days of receipt of notification, eligible veterans purchasing creditable service for their military service may begin payment at a time of the member choosing either a lump sum or five-year payment plan with the balance paid in full prior to retirement.

February 6, 2003

In accepting prior service for current members of the Pittsfield Retirement System, the following provisions will apply:

I. Payment to the system must be made based on the person's contribution percentage applied to the earnings for the service granted. The board may allow payments over time plus interest.

II. Service

- a. Prior service to the City of Pittsfield will be credited as a percentage of the present full-time equivalent of 20 hours per week.
- b. Prior service to another system will be credited as a percentage of the full-time equivalent for that system.

May 9, 1997

Creditable Service: To grant a full year of creditable service to the appointed members of the Pittsfield Retirement Board, who are receiving a \$3,000 annual stipend and are already members (active or inactive) of the Pittsfield Retirement System.

February 7, 1995

Make-up payments for re-deposits of refunds and buy-backs, as authorized by law, shall be made in a lump sum or monthly installments over a period not exceeding five years. Weekly payroll deductions will not be accepted to purchase such service.

July 20, 1994

1. In order to become a member of the Pittsfield Retirement System, the employee must work twenty (20) hours or more per week on a regular basis.
2. Seasonal, temporary or intermittent employees shall not become members of the Pittsfield Retirement System.
3. Teachers aides, cafeteria workers and school crossing guards, who are employed for the school year (40 weeks), shall be granted one year service for each school year completed.
4. If a member's hours drop below twenty (20) hours per week, retirement deductions shall continue to be withheld in accordance with the Board policy of: "once a member always a member". Credit will be granted proportionately based on a 20-hour workweek.

NOTES TO FINANCIAL STATEMENTS (Continued)

5. Temporary, seasonal and intermittent employees are ineligible for membership, however, upon becoming a member of the System the employee may buy back temporary, seasonal, intermittent time that was at least twenty hours per week.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Treasurer who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: G. Richard Bordeau

Appointed Member: Edward M. Reilly Term Expires: Indefinite

Elected Member: Timothy A. Hannigan Term Expires: 05/01/11

Elected Member: Gerard E. Miller, Chairman Term Expires: 09/22/10

Appointed Member: James J. Mooney Term Expires: 02/20/09

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:

Ex-officio Member:)	\$50,000,000 Fiduciary
Elected Member:)	\$1,000,000 Fidelity ERISA/crime
Appointed Member:)	Travelers Insurance
Staff Employee:)	AMITY/MACRS policy

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2007.

The actuarial liability for active members was	\$70,482,761
The actuarial liability for retired and inactive members was	<u>99,251,002</u>
The total actuarial liability was	169,733,763
System assets as of that date were	<u>94,344,338</u>
The unfunded actuarial liability was	<u>\$75,389,425</u>
The ratio of system's assets to total actuarial liability was	55.6%
As of that date the total covered employee payroll was	\$28,893,501

The normal cost for employees on that date was 8.61% of payroll

The normal cost for the employer including administrative expenses was 4.95% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum
 Rate of Salary Increase: 4.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2007	\$94,344,338	\$169,733,763	\$75,389,425	55.6%	\$28,893,501	260.9%
1/1/2006	\$87,443,293	\$169,803,573	\$82,360,280	51.5%	\$28,268,212	291.4%
1/1/2004	\$85,834,000	\$153,786,018	\$67,952,018	55.8%	\$25,467,268	266.8%
1/1/2002	\$85,276,123	\$145,709,821	\$60,433,698	58.5%	\$25,636,817	235.7%
1/1/2000	\$82,306,857	\$130,147,234	\$47,840,377	63.2%	\$25,653,793	186.5%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement in Past Years										
Superannuation	28	24	23	18	19	27	17	24	14	33
Ordinary Disability	1	1	0	1	0	0	1	0	0	0
Accidental Disability	4	1	1	1	5	3	5	3	3	1
Total Retirements	33	26	24	20	24	30	23	27	17	34
Total Retirees, Beneficiaries and Survivors	737	743	739	732	728	740	732	738	734	753
Total Active Members	947	958	985	992	989	972	990	971	957	959
Pension Payments										
Superannuation	\$3,985,850	\$4,330,395	\$4,475,371	\$4,295,973	\$4,473,834	\$4,972,759	\$5,350,572	\$5,760,839	\$6,022,631	\$6,382,757
Survivor/Beneficiary Payments	393,777	410,924	418,524	354,472	360,013	306,691	366,469	457,969	451,059	467,107
Ordinary Disability	124,463	117,940	118,259	95,598	117,928	52,783	89,557	101,963	104,732	95,856
Accidental Disability	2,179,230	2,209,422	2,280,411	2,125,622	2,191,239	2,346,488	2,363,457	2,571,442	2,955,595	2,656,060
Other	489,598	483,889	546,135	452,357	451,922	545,438	525,826	889,684	934,306	1,067,331
Total Payments for Year	<u>\$7,172,918</u>	<u>\$7,552,570</u>	<u>\$7,838,700</u>	<u>\$7,324,022</u>	<u>\$7,594,936</u>	<u>\$8,224,159</u>	<u>\$8,695,881</u>	<u>\$9,781,898</u>	<u>\$10,468,323</u>	<u>\$10,669,111</u>

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